

REPORT HIGHLIGHTS



GAMING CITIES' USE OF STATE HISTORICAL FUND DISTRIBUTIONS PERFORMANCE AUDIT, NOVEMBER 2017

GAMING CITIES OF BLACK HAWK, CENTRAL CITY, AND CRIPPLE CREEK

CONCERN

It is unclear whether the Cities of Black Hawk, Central City, and Cripple Creek have used all of their State Historical Fund distributions as intended by the Colorado Constitution and statute. The State Constitution and statute do not clearly define allowable uses of State Historical Fund distributions.

KEY FINDINGS

- The three gaming cities spend their distributions from the State Historical Fund for a variety of purposes, including grants to restore historic houses and buildings, land acquisitions, museum and visitor center operations, city infrastructure, marketing, community arts and culture, and general city operations.
- It is unclear whether the cities' spending aligns with the intent of the voters who passed the amendment legalizing limited gaming or with the intent of statute. For example, the cities spent about \$2.8 million between 2014 and early 2017 on such purposes as city infrastructure projects and operations at museums, visitor centers, and theaters, which appear to go beyond the common meaning of historic preservation and restoration but may fit within a broader definition.
- Black Hawk's grants to homeowners for restoring historic private houses did not consistently comply with federal historic preservation standards and state statutes. For example, in a sample of six grants totaling \$5.95 million in State Historical Fund distributions between 2013 and 2017, the City did not always assess the historic character of house interiors prior to demolition, and replaced or demolished some historic features or hardware to modernize interior spaces. Further, the City's Historic Preservation Commission did not review significant portions of the grants or project plans, as required by statute.
- Cripple Creek's grants for exterior improvements to historic structures did not consistently comply with federal historic preservation standards and state statutes. For a sample of six grants totaling \$37,782 in State Historical Fund distributions between 2014 and 2017, the City did not maintain records that it had assessed the historic features of the buildings. For two sampled grant projects, the City spent a total of \$5,147 to replace potentially historic features without documenting the rationale for replacement rather than repair.

BACKGROUND

- In 1990, Colorado voters passed a constitutional amendment allowing casino gaming in the cities of Black Hawk, Central City, and Cripple Creek. The amendment included a provision directing a portion of the gaming taxes paid by casinos to be deposited into the State Historical Fund and distributed to the three cities annually.
- The Constitution requires the cities to use the distributions for "preservation and restoration of the cities," while statute requires them to be used for "historic restoration and preservation."
- From 2014 to 2016, the cities received \$14.7 million in distributions—\$11 million to Black Hawk, \$1.3 million to Central City, and \$2.4 million to Cripple Creek.
- Black Hawk and Central City are home-rule municipalities; Cripple Creek is a statutory city.

KEY RECOMMENDATIONS

- Black Hawk and Cripple Creek should ensure grants using State Historical Fund distributions comply with statutes and federal standards for historic properties, and implement policies requiring (1) historic assessments of all grant projects to identify historic features and ensure they are preserved, whenever possible; (2) documentation of the rationale for replacement or demolition of historic features; and (3) approval of such replacements and demolitions by the Historic Preservation Commission.
- Black Hawk should require its Historic Preservation Commission to review rehabilitation grants and project plans for compliance with federal standards before projects are recommended to City Council.

Black Hawk partially agreed with the audit recommendations, and Cripple Creek agreed with the recommendation.